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NSC BRIEFING

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BACKGROUND--SPAIN

1. Over the past nine months, we have seen evidence of rising popular discontent in Spain. Last February, in Madrid, there were university student riots, in protest over Falange control of the student body and government restrictions on free speech. In July, after trial of 4 riot ringleaders, Franco moved to strengthen Falangist control over students. During April and May, discontented industrial workers in northern Spain defied the government's ban on strikes. Over 50,000 workers walked out, protesting that the government's 16% wage boost of 1 April had been inadequate to keep pace with the continuing rise in Spanish living-costs (up from 1940's index of 100 to 515 this year). A further 6% wage-raise, scheduled for this month, has not yet been implemented and in any case would not close the gap.

2. Although this popular discontent is no immediate threat to the stability of Franco's regime, we also have evidence of growing uneasiness among the regime's principal supporters, which may prove to be a more serious problem. The Falange is bitterly opposed to Franco's apparent determination to engineer the eventual restoration of the Spanish monarchy. The Falange is also angered by Franco's failure to expand the nation's social welfare program. The Catholic Church hierarchy, which has close ties with Franco, nonetheless contains elements which are uneasy over these ties. This September all eleven of Spain's archbishops called for a fair distribution of national wealth and decent wages for labor. Finally, Franco's main prop, the Army, is becoming increasingly critical of his

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indulgence toward the Falange and has reacted strongly to his termination of the Spanish protectorate in Morocco. The Army is concerned over the problem of finding places in home garrisons for the 50,000 officers and men who will be withdrawn from Morocco.

3. These problems result in large part from Spain's chronic economic difficulties--low agricultural and industrial productivity and mass poverty. Last winter's adverse weather intensified these problems and this year has been marked by increasing inflationary pressures. The principal factors underlying inflation are the Government's growing budget deficit, the consequent curtailment of essential imports, a severe shortage of such basic items of diet as olive oil, and the impact of this year's wage boosts. Added to these has been a sharp increase in the expenditure of US base construction counterpart funds.

4. The Spanish government has done little or nothing to correct a spreading popular belief that the presence of Americans in Spain is responsible for many of the country's difficulties, including both the influx of "liberal" ideas and the sharp rise in living costs.

(BETWEEN SPAIN AND THE US,  
The major issue however, concerns the details of US control and operation of its 3 naval base facilities in Spain. The Spanish Navy sees the US creating 3 "little Gibraltares." Franco wants more US military and economic aid, and has hinted he will cooperate with the US only as long as this assistance is forthcoming.

5. Although Soviet and Spanish officials have discussed the resumption of diplomatic relations on several occasions recently, the Spanish Government denies that resumption of relations is imminent. The Soviet Union recently approved the return of 1,000 Spanish civilians--mostly Republican children refugees of the Spanish civil war--from the

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USSR. However, Franco's basic price for recognition of the USSR--return of \$500 million in Spanish gold sent to the USSR during the civil war and repatriation of the remaining Blue Division prisoners of World War II--has not been met.

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